

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of: )  
Federal-State Joint Board on Universal Service ) CC Docket No. 96-45

**REPLY COMMENTS OF  
PUERTO RICO TELEPHONE COMPANY**

The Puerto Rico Telephone Company (“PRT”) respectfully submits its Reply Comments in response to Joint Board’s Recommended Decision in the above-captioned proceeding. In its opening comments, PRT urged that action in this proceeding neither further delay nor constrain the high-cost support for non-rural, insular areas required by Section 254(b)(3) of the Communications Act. As PRT detailed in those comments, one of the greatest shortcomings of the existing high-cost universal service program is its failure to provide sufficient support to non-rural insular areas. The effects of this failure are evident in Puerto Rico, where the wireline telephone penetration rate of approximately 70 percent is far below the national average. Accordingly, PRT reiterated its request that the Commission restore a portion of the high-cost support that had been provided to Puerto Rico before the Commission changed its high-cost methodology for non-rural carriers.

PRT is filing these reply comments to correct misstatements by Centennial Communications Corp. regarding the reasons for the low penetration rate in Puerto Rico. Centennial contends, without any support, that the low subscribership level results from unspecified “problems,” for which it asserts PRT is to blame. Comments of Centennial at 10-11. This claim has no merit whatsoever.

The low landline penetration rate in Puerto Rico stems principally from the effects of two factors which result in a lack of service in remote areas. First, the cost of providing service in

Puerto Rico, and specifically the cost of providing facilities to reach remote areas, is extremely high given Puerto Rico's mountainous terrain, insular status, and large and dispersed rural population. Second, a significant portion of the population, particularly in remote areas, has difficulty affording telephone service. In Puerto Rico, fifty-five percent of the population lives below the poverty line. Puerto Rico's average per-capita income of \$8,000 is only half that of Mississippi, the U.S. state with the lowest per-capita income. These harsh realities belie Centennial's vague and undocumented effort to blame PRT for the low penetration rate.

As PRT explained in its opening comments, economic development of the unserved and underserved areas in Puerto Rico depends on continued infrastructure investment. Such infrastructure development, however, will be next-to-impossible without sufficient universal service support. To that end, the Commission must provide funding for non-rural insular locations based on actual, rather than hypothetical, costs. Doing so would restore a portion of the high-cost support that PRT received prior to reform of the non-rural high-cost mechanism, but would not place an appreciable burden on the fund.<sup>1</sup> Because of the critical need for such

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<sup>1</sup> PRT's proposed insular funding mechanism would restore between \$30 and \$40 million in funding, which is less than one percent of the total annual universal service outlay.

funding, action on the Joint Board's recommendations in this proceeding must not be allowed to delay or diminish insular relief.

Respectfully submitted,

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